

FISCAL NOTE

SB 2235 - HB 2176

January 24, 2000

SUMMARY OF BILL:

- Exempts from the sales tax certain school supplies, clothing or footwear purchased during a 72-hour period each August.
- Provides definitions as to what type of items would be exempt and limits the dollar value to \$50.00.
- Authorizes the Commissioner of Revenue to promulgate rules and regulations to administer this section.
- Increases the privilege tax on cigarettes from 13 cents per pack of 20 to 30 cents per pack of 20.
- Increases the privilege tax on wine from \$1.10 per gallon to \$2.57 per gallon.
- Increases the privilege tax on alcohol from \$4.00 per gallon to \$9.37 per gallon
- Provides for an effective date of July 1, 2000.

ESTIMATED FISCAL IMPACT:

Increase State Revenues -Net Impact - \$74,756,263

Increase State Expenditures - \$67,000 One-Time

Decrease Local Govt. Revenues - Net Impact - \$8,525,043

| | <u>State Portion</u> | <u>Local Portion</u> |
|-----------------------------------|----------------------------|-----------------------------|
| <u>Increased Revenues</u> | | |
| Cigarette Tax | \$84,776,081 | |
| Wine Tax | 5,861,598 | \$1,200,568 |
| Spirits Tax | 22,165,497 | 4,539,921 |
| Sales Tax on Cigarettes | 3,963,706 | 1,486,185 |
| Sales Tax on Wine | 91,891 | 34,454 |
| Sales Tax on Spirits | <u>356,637</u> | <u>133,721</u> |
| Subtotal | \$117,215,410 | \$7,394,849 |
| <u>Decreased Revenues</u> | | |
| Sales Tax on Cigarettes | | |
| [10% Decrease in Sales] | 9,992,942 | 3,746,838 |
| Sales Tax on Wine | | |
| [5% Decrease in Sales] | 37,904 | 14,214 |
| Sales Tax on Spirits | | |
| [5% Decrease in Sales] | 55,574 | 20,840 |
| Sales Tax Exemption | | |
| First 2 Weekends in August | 32,372,727 | 12,138,000 |
| Subtotal | <u>42,459,147</u> | <u>15,919,892</u> |
| NET INCREASE(DECREASE) | | |
| IN REVENUES | <u>\$74,756,263</u> | <u>(\$8,525,043)</u> |

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Estimate assumes the following:

- Approximately 605,543,438 packs of cigarettes were sold last year.
- A decrease of in-state sales of approximately 10% or 60,554,343 packs due to the increased tax.
- Cigarettes are sold in packs of twenty.
- Approximately 5,264,280 gallons of wine were sold last year.
- A decrease of in-state wine sales of approximately 5% or 263,219, gallons of wine due to the increased tax.
- Approximately 5,448,418 gallons of alcohol were sold last year.
- A decrease of in-state sales of approximately 5% or 272,421 gallons of alcohol due to the increased tax.
- A decrease of approximately \$10,084,945 in state sales tax revenues due to a decrease of in-state purchases of cigarettes, wine and alcohol.
- A decrease of approximately \$3,781,854 in local government sales tax revenues due to a decrease of in-state purchases of cigarettes, wine and alcohol.
- Total state sales tax revenue generated by sales of school supplies, clothing, and footwear in July, August, and September is estimated to be approximately \$89,936,104 in the absence of this bill.
- Approximately \$32,372,727 is estimated to be exempt from tax resulting from purchases being made of school supplies, clothing and footwear during the first and second weekends in August.
- Total local government sales tax revenue generated by sales of school supplies, clothing, and footwear in July, August, and September is estimated to be approximately \$33,726,039 in the absence of this bill.
- Approximately \$12,138,000 is estimated to be exempt from tax resulting from purchases being made of school supplies, clothing and footwear during the first and second weekends in August.
- A one-time increase in state expenditures of approximately \$67,000 to notify taxpayers of the changes.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.



James A. Davenport, Executive Director